

Original Article

Identify The Factors That Influence Why SMEs Do Not Have a Procedures Manual

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Received: 01 March 2025

Revised: 02 April 2025

Accepted: 15 April 2025

Published: 29 April 2025

Abstract - Micro, small, and medium-sized enterprises, better known as SMEs, are entities that primarily operate as family businesses due to their lack of structure, personnel, and formality, as in most cases, they lack any tool to facilitate internal control, such as a procedures manual. As is well known, the procedure manual is essential in any business and size. These manuals are essential in SMEs since they provide new growth opportunities, help us be more strategic, and help us be at the forefront of new processes and technologies. This research aimed to identify the elements that intervene in SMEs when they do not implement a procedure manual—focusing the study on the 29 SMEs in the Punta Brava neighbourhood of Villahermosa, Tabasco. Non-experimental, cross-sectional design with a descriptive scope since it only intends to know the level of formalization considering the dimensions of knowledge, cost, tools, lack of time and size. In conclusion, most SMEs have a low level of formalization and have little knowledge of the manual, the benefits, and the time it takes to complete it, which, not knowing it, they tend to think is very extensive and laborious to complete.

Keywords - Formalization, Manuals, Microenterprises, Procedure Manual, SMEs.

1. Introduction

Micro-enterprises, also known as SMEs, are a crucial source of financing for our State and Country since they contribute to the economic index and lower unemployment and poverty.

Although establishing a business is often very easy, since starting up and opening “the little corner store” is more accessible to them, most small businesses (SMEs) do not usually carry out any analysis and/or procedures to be able to establish said SME.

Moreover, due to this lack of knowledge, they overlook one of the fundamental requirements within any business, regardless of its size, which is the procedures manual.

The procedure manual is "a support instrument in which the steps to follow are systematically found to execute the activities of a specific position and/or functions of the administrative unit."¹

On the other hand, other authors have stated the following:

A support document for an entity's staff containing policies, controls, and exhaustive details of all the activities

to be carried out in a specific task. Procedures specify and detail a process, which makes up an ordered set of operations or activities determined sequentially concerning those responsible for their execution, which must comply with established policies and standards, indicating the duration and flow of documents. For example, the procedure for payroll payment, collection of accounts, etc.²

As stated, the procedures manual is a way of carrying out tasks in an organization in an orderly, detailed manner and with a duration to improve productivity and meet the objectives of said business.

And that is why the website Security Protek states:

In small and medium-sized companies, it is common for the procedures manual to be replaced by other, more informal practices. Some even consider these tools to be an excess of bureaucracy.

However, regardless of the company's sector and size, if you want to grow, be competitive, obtain profitability and efficiently meet your objectives, you must adopt good business practices. Therefore, a company procedures manual is one of the tools that cannot be missing since it is the basic document that explains what the company is, what it does and how on a day-to-day basis.³



Today, in Tabasco, there are many microenterprises (SMEs). However, according to the Official Gazette of the Federation, "the 2019 Economic Census of INEGI, in the state of Tabasco there are 70,180 Microenterprises that represent 95.3% of the total economic units." ⁴

However, no research has been conducted on why SMEs do not implement a procedures manual in their operations, and that is why the study focuses only on the Punta Brava Colony of the municipality of Villahermosa Tabasco Centro, Postal Code 86150 because the Punta Brava colony is one of the localities with fewer inhabitants that has few commercial establishments but is well known for being one of the colonies where most of the businesses that operate there are retail stores, that is, SMEs.

According to estimates by MarketDataMéxico, Punta Brava has an estimated economic output of MXN 110 million annually, of which MXN 34 million corresponds to income generated by households and approximately MXN 71 million to income from the 29 establishments that operate there. ⁵

Today, as we have mentioned in the Official Gazette of the Federation, in the 2019 Economic Census of the INEGI in the State of Tabasco, most establishments are micro-, small-, and medium-sized (SMEs). Due to their size, they do not have any structure of their establishment, much less the tools that must be used when starting or setting up a business, such as the procedures manual.

In SMEs, the inaccuracy of information and all the procedures necessary to operate are often implemented inefficiently, and the response is usually negative and prone to failure.

Therefore, this research aims to identify the factors that influence the lack of implementation of a procedures manual in SMEs in the Punta Brava neighborhood, which determines their level of formalization. While this research seeks to improve SMEs' procedures, we propose it as a practical justification.

2. Methodology

2.1. General Objective and Specific Objectives

The general objective of this study is to identify the factors that influence SMEs not to have a procedures manual.

Specific objectives:

1. Analyze the opinion of SMEs on why they do not have a procedures manual.
2. Identify the factors that influence the decision not to have a procedures manual.
3. Study the level of formalization that SMEs have.

For the present work, the hypothesis was sought to answer:

- H. General: Due to the lack of information, questions often arise as to why they do not implement a procedure manual, among them that it is very laborious, that it has some cost, that they believe it is not suitable for their company size, that it does not have some distribution, among others.
- H. Null: The lack of information on the part of SMEs about implementing procedure manuals and tools that influence their development does not increase their competitive capacity.

2.2. Research Design

The type of study that will be used is descriptive because it will help us analyze the variables and their components through their study.

Likewise, we will use the quantitative method because we will use as a means of collecting information a questionnaire with Likert scale questions according to the five selected dimensions and also use computer tools, statistics, and mathematics to obtain results, with a non-experimental design since no variable will be controlled in the study, it is also transversal because the instrument will be applied only once within the sample having as its purpose a descriptive scope since it is only intended to know the level of formalization of the MSMEs. ⁶

2.3. Data Collection Techniques

The questionnaire method was chosen because the research requires studying various factors related to SMEs and the procedures manual.

The questionnaire will be applied based on different variables such as knowledge, cost, tools, lack of time and size, and each item will be analyzed through questions designed on a Likert-type scale from disagree to agree. Designing a questionnaire using the Google Forms tool as a means of collection.

The data will be audited and coded for analysis through the SPSS version 23 program for the Windows environment, allowing us to tabulate each response.

2.4. Subjects and Sample

The criteria for selecting the sample to be investigated were the SMEs in the Punta Brava neighborhood, a town in the Centro municipality, in Tabasco, postal code 86280. The result was 29 operating businesses, from which one person per business was selected for convenience who voluntarily agreed to participate.

Within this sample, 55% of the people who serve the SMEs are the owners, while 45% are workers. Likewise, most people who serve the SMEs are female (52%), and 45% of the respondents have a bachelor's degree.

On the other hand, 55% of those who serve SMEs have been operating for between 1 and 3 years, 14% indicate between 4 and 7 years, 10% between 8 and 10 years, and 21% of those surveyed have been operating for more than 10 years. Of these, 48% of SMEs employ between 1 and 2 people, 31% have between 3 and 4 employees, 10% have no employees, 5% have between 5 and 8 employees, and only 4% have 9 employees.

2.5. Data Analysis Techniques

Descriptive statistics will be used to analyze the data, check the normality of the data, and compare means using T-tests and ANOVA with the support of the SPSS statistical program.

For a more comprehensive analysis of the data, the results are divided into three parts: the first addresses the results of the level of formalization of SMEs; the second analyzes the items in each dimension to highlight the most relevant dimensions during the research; and the third studies the population means using a t-test. This method allows for a better understanding through tables and graphs.

3. Results and Discussion

3.1. Level of Formalization

As a first step, the frequency distribution of the scores on the Level of formalization scale was analyzed. In this, a minimum value of 55 and a maximum value of 97 can be observed, a kurtosis of 6.791, a mean of 85.03 and a standard deviation of 7.87. To establish analysis categories, the quartiles presented in Table 1 were identified.

Table 1. Level of formalization

Level of formalization	Percentile	Values	%
No formalization	25	55-81	24.1
Little formalization	50	82-87	38.0
Moderate formalization	75	88-90	17.2
High formalization	100	91-97	20.7

In order to establish a more precise criterion for those SMEs that are not formalized, only those businesses that are in the first quartile (24.1%) were selected. It is worth mentioning that 38% of SMEs have a low degree of formalization, while 17.2% have moderate formalization and 20.7% have high formalization. However, most SMEs do not have excellent formalization within their business.

In the second part, the items of each dimension were analyzed to identify which of those elements is most present in SMEs. As a first analysis, the descriptive statistics of the lowest items referring to the most notable dimensions are found in Table 2.

Table 2. Descriptive statistics low items

Dimension	Question	N	Min	Max	Mean	SD
Cost dimension	Find out the cost of a procedures manual.	29	1	5	2.03	1.375
Tool dimension	Is the procedures manual, not an indispensable tool?	29	1	4	2.21	1.146

As we can see in Table 2, the results regarding the descriptive statistics are shown, considering only the lowest levels. In this case, the items that stood out the most were those referring to the cost and tool dimension of these items. With a mean of 2.03, respondents are unaware of the cost of the manuals, while they affirm that the procedure manual is an indispensable tool, with a mean of 2.21.

Likewise, the descriptive statistics were analyzed, considering only the highest levels of the most outstanding dimensions (Table 3).

Table 3. Descriptive statistics of high items

Dimension	Question	N	Min	Max	Mean	SD
Knowledge dimension	I know the benefits of a procedures manual.	29	1	5	3.34	1.344
Time dimension	I do not have time to make a manual.	29	1	5	3.66	1.203
Time dimension	Manuals are long, and that prevents their creation.	29	1	5	3.83	1.136
Size dimension	If you know your processes, would it help you implement a procedures manual?	29	1	5	4.17	1.037
Cost dimension	If you had the necessary resources, would you implement a procedures manual?	29	1	5	4.45	0.870

Analyzing Table 3, we can observe the descriptive statistics at their highest levels of the different dimensions evaluated, where 3.34 of the average of those questioned know the benefits of a manual. On the other hand, in the

dimension of time, most do not have time to make a manual of procedures average of 3.66; however, they think that the manuals are extensive, and that prevents them from doing it immediately in the dimension of size referring to the average

4.17 the respondents affirm that being day to day carrying out their daily activities would help to capture them in a document, in the same way, that if they had the necessary resources they would implement a manual of procedures. As a third part, a comparative analysis of the population means of the dimensions of the level of formalization and the

sociodemographic data with two options was carried out using a T-test, not finding significant differences for their marital status, level of education, number of employees and seniority in the SME. However, in Table 4, we can observe the results with those who already had prior knowledge.

Table 4. Comparisons of the population mean the dimensions of the level of formalization and prior knowledge of manuals.

Have you heard of procedure manuals?		N	Avg	SD	t	Sig.
Knowledge dimension					4.297	0.001
Yeah	20	22.15	2.66			
No	9	17.33	3.08			
Cost Dimension					0.711	0.483
Yeah	20	16.55	3.05			
No	9	15.67	3.20			
Dimension Tools					-1.156	0.258
Yeah	20	15.00	2.62			
No	9	16.11	1.76			
Lack of Time Dimension					-1.232	0.228
Yeah	20	16.60	3.42			
No	9	18.22	2.91			
Dimension Size					-1.965	0.060
Yeah	20	14.80	4.02			
No	9	17.56	1.67			

P=.05

It can be observed in Table 4 that significant differences of 0.001 were found in the knowledge dimension, in which those who had already heard about the procedure manuals have higher levels in this area. That is, logically, those who have heard about the manuals are more familiar with them

than those who have not. We also found significant differences in the dimensions of the formalization level and the fact that the business has a procedure manual. In Table 5, we can observe the results.

Table 5. Comparison of population means, the dimensions of formalization, and the fact that the business has a procedures manual.

Is there a procedures manual in the business?		N	Avg	SD	t	Sig.
Knowledge dimension					2.352	0.0272
Yeah	6	23.50	1.97			
No	20	19.95	3.50			
Cost Dimension					1.850	0.0767
Yeah	6	18.50	2.07			
No	20	15.95	3.15			
Dimension Tools					1.370	0.184
Yeah	6	16.17	3.19			
No	20	14.70	2.00			
Lack of Time Dimension					-2.435	0.0227
Yeah	6	14.33	1.75			
No	20	17.95	3.47			
Dimension Size					-0.935	0.3591
Yeah	6	14.17	5.46			
No	20	15.80	3.16			

P=.05

In Table 5, statistically significant differences can be observed in the knowledge dimension, where those with a procedures manual have higher scores. That is, by having a procedures manual, they know it and, therefore, know about it. We also find differences in the lack of time dimension, where those who do not have a manual in their SME have higher scores. Due to a lack of time, they have not implemented this tool.

4. Conclusion

In conclusion, 24% (7) of SMEs have little formalisation effort. A large percentage of SMEs have a low degree of formalization 38% (11), thus showing that more than half of SMEs are not formalized, something that is very common since, due to their size, it is not perceived as necessary, as stated in a study of Latin American SMEs where it is detected that the lower the productivity, the greater the informality ⁷ that is, profitability, productivity and efficiency have a considerable impact when not implementing a procedures manual, due to this and its ignorance, it prevents business growth, resulting in informality.⁸

On the other hand, there is a widespread lack of awareness of the benefits of procedure manuals, and this lack of information leads to not having one. While this lack of awareness of the importance of manuals leads to a significant lack of formality and organization in SMEs, it also leads to a lack of procedure manuals, standards, and policies that all company members must apply. ⁹

Having an awareness of the suitability of the manual in organizations, especially in SMEs, allows the correct function of the tasks or activities that must be fulfilled day by day, since if the business does not have such knowledge, the hierarchical structure, the processes and the line of command can be ignored entirely, all this for not implementing a manual of functions or procedures ¹⁰, however, even though SMEs do not have this tool, the respondents mostly think that

the manual of procedures is indispensable. Likewise, respondents believe that carrying out daily activities and sequences day by day helps to capture them in a manual since, as is well known, procedure manuals are the ideal means of capturing the process of specific activities. ¹¹

Usually, those who have heard about procedure manuals have higher knowledge, although one of the main reasons for not implementing a procedure manual is a lack of familiarity with it. ¹²

A large portion of the surveyed population states that procedure manuals are very extensive, which is a limitation for implementing them within the business. Many people recognize the value of a manual based on logic and common sense. However, one of the reasons why they are not developed is that it requires time from those responsible for each area, and in many cases, there is very little time. ¹³ In addition to this statement, they mention that the activities become crowded without an operations manual. ¹⁴ Furthermore, it is worth mentioning that if a manual contains information that is over-exploded in detail, it loses attention and can become complicated. ¹⁵

Finally, it can be concluded that the factors that most influence SMEs' lack of a procedures manual are lack of knowledge, implementation time, and cost. It is important to emphasize that for a company, particularly for SMEs, it is essential to be as formal as possible. Therefore, implementing procedure manuals is essential to clarify any organisation's corresponding roles and obligations.

Acknowledgments

I want to thank Mr. Emmanuel Alejandro Sibilla Oropeza and his dear wife, Ms. Orietta Quintero García, for all their support and affection.

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